

1 ENTRANT CAN COME IN AND BUY BELLSOUTH'S RETAIL SERVICE,
2 OR RATHER A WHOLESALE EQUIVALENT TO IT, RESELL IT IN THE
3 MARKET UNDER ITS OWN BRAND NAME. NOW, ALTHOUGH THAT'S
4 GOING TO BE A RAPID ENTRY TECHNIQUE, ALL YOU END UP WITH
5 ARE RESELLERS IN THE MARKET BASICALLY REOFFERING
6 BELLSOUTH'S RETAIL SERVICE. THERE'S VERY LITTLE ABILITY
7 TO CHANGE THE WAY THE SERVICE LOOKS AND THERE'S LITTLE
8 ABILITY TO PUT PRICING PRESSURE ON BELLSOUTH. NEVERTHE-
9 LESS, IT IS A TECHNIQUE THAT CARRIERS CAN USE TO ENTER
10 THE MARKET QUICKLY AND COMPETE WITH BELLSOUTH.

11 THE HEART OF THE ACT, HOWEVER, I
12 THINK GOES TO THE SECOND MAIN ENTRY TECHNIQUE. THE HEART
13 OF THE ACT IS THE PRINCIPLE THAT CARRIERS CAN GO TO
14 BELLSOUTH AND BUY NETWORK INGREDIENTS FROM BELLSOUTH,
15 NETWORK ELEMENTS, AND USE THOSE INGREDIENTS TO BECOME A
16 LOCAL TELEPHONE COMPANY AND OFFER SERVICE. THOSE NETWORK
17 INGREDIENTS, BASIC INGREDIENTS, ARE THE NETWORK ELEMENTS
18 ON THE CHART OVER THERE IN THE CORNER. TODAY WE HAVE
19 LONG DISTANCE COMPETITION BECAUSE A POLICY DECISION WAS
20 MADE TEN YEARS AGO THAT SAID LONG DISTANCE CARRIERS COULD
21 USE THE BELL NETWORK TO PROVIDE LONG DISTANCE SERVICES.
22 THE ACT BASICALLY TAKES THAT PRINCIPLE AND EXTENDS IT ONE
23 STEP FURTHER AND SAYS, WE'RE GOING TO GO TO A FUTURE
24 WHERE EVERYBODY CAN OFFER ANY SERVICE BY ENABLING

1 CARRIERS TO BUY THE BELLSOUTH NETWORK AS A BASIC SET OF
2 INGREDIENTS AND USING IT TO OFFER THEIR SERVICES.

3 THE ISSUES ON NETWORK INGREDIENTS,
4 PRETTY SIMPLE: HOW MANY DO YOU MAKE AVAILABLE, WHAT
5 PRICE DO YOU CHARGE, AND MAY CARRIERS COMBINE THEM? AS
6 BELLSOUTH INDICATED, THEY DISAGREE ON WHAT COST MEANS.
7 MY TESTIMONY AND THE TESTIMONY OF DR. KASERMAN INDICATES
8 THAT COST IS ECONOMIC COST. THERE DOESN'T APPEAR TO BE A
9 LOT OF DISPUTE ABOUT THAT IN ECONOMICS AT LEAST. WHAT
10 INGREDIENTS NEED TO BE MADE AVAILABLE? AGAIN, THERE
11 SEEMS TO BE GENERAL CONSENSUS ON WHAT ELEMENTS NEED TO BE
12 AVAILABLE. CAN CARRIERS COMBINE THEM? THIS IS PROBABLY
13 THE KEY. BELLSOUTH RECOGNIZES THAT IT HAS A LEGAL
14 OBLIGATION TO ALLOW CARRIERS TO COMBINE ANY OF THESE
15 INGREDIENTS THEY DESIRE TO OFFER ANY SERVICE THAT THEY
16 WANT TO OFFER. THIS IS A CRITICAL ELEMENT OF THE ACT
17 BECAUSE IT IS THROUGH THIS ABILITY OF BUYING THESE
18 GENERIC INGREDIENTS AND CREATING THEIR OWN SERVICES THAT
19 CARRIERS WILL BE ABLE TO INNOVATE AND OFFER DIFFERENT
20 SERVICES TO SOUTH CAROLINA CONSUMERS.

21 MR. LIGHTSEY USED THE EXAMPLE OF
22 CALL WAITING AND SUGGESTED THAT IT MADE SENSE FOR THIS
23 COMMISSION TO NOT LET CARRIERS BUY THE CAPABILITY IN THE
24 BELLSOUTH NETWORK TO OFFER CALL WAITING BUT INSTEAD COULD

1 ONLY RESALE BELLSOUTH'S SERVICE. HIS EXPLANATION WAS
2 THAT TODAY BELLSOUTH GETS \$3.40 AND THAT HE WOULD LIKE TO
3 KEEP THE \$3.40 FROM GOING DOWN AS COMPETITORS COME INTO
4 THE MARKET AND OFFER ALTERNATIVES. HE IMPLIED TO YOU
5 THAT, UNDER THE AT&T VIEW OF THE WORLD, THEY WOULD GET TO
6 OFFER CALL WAITING FOR FREE. I HAVE TO DISAGREE WITH MR.
7 LIGHTSEY IN THE SENSE THAT I THINK HE IGNORED A VERY
8 IMPORTANT PIECE OF THAT. UNDER THE AT&T PROPOSAL UNDER
9 THE F.C.C. RULES, AN ENTRANT CAN'T OFFER ANY SERVICE
10 WITHOUT FULLY COMPENSATING BELLSOUTH FOR THE NETWORK
11 COMPONENTS THAT IT WOULD PURCHASE TO PROVIDE SERVICE.
12 AT&T WOULD ONLY BE ABLE TO OFFER ANY SERVICE IF IT AGREED
13 TO PAY THE FULL COST OF THE NETWORK ELEMENTS THAT IT
14 INTENDS TO USE. SO IT'S NOT A QUESTION OF AT&T GETTING
15 TO OFFER SOMETHING FOR FREE; IT'S ONLY A QUESTION OF AT&T
16 COMPENSATING BELLSOUTH FOR THE COST OF THE NETWORK
17 ELEMENTS AND THEN PROVIDING THE SERVICES. OF COURSE, IN
18 THE BEGINNING ALL OF THESE NETWORK ELEMENTS ARE GOING TO
19 HAVE TO BE PURCHASED FROM BELLSOUTH. THERE ARE NO OTHER
20 NETWORK PROVIDERS IN THE MARKET TODAY AND IT'S GOING TO
21 TAKE MANY YEARS FOR COMPETITIVE LOCAL NETWORKS TO BE
22 DEVELOPED.

23 ON THIS CHART OVER HERE THERE'S A
24 COMPARISON OF THE NUMBER OF LOCAL SWITCHES IN SOUTH

1 CAROLINA THAT JUST IN BELLSOUTH'S TERRITORY USES TO
2 PROVIDE LOCAL EXCHANGE SERVICE. THERE'S APPROXIMATELY
3 150 OF THOSE TODAY IN SOUTH CAROLINA. IN COMPARISON,
4 AT&T PROVIDES SERVICE WITH ONE. NATIONWIDE, THOSE
5 NUMBERS WOULD BE, IN THE LOCAL EXCHANGE, CARRIERS HAVE
6 23,000 LOCAL SWITCHES WHEREAS AT&T PROVIDES SERVICE WITH
7 JUST OVER 130. DEVELOPING LOCAL NETWORKS IS A LONG-TERM
8 PROPOSITION. LOCAL COMPETITION REQUIRES THAT OTHERS HAVE
9 THE OPPORTUNITY TO USE THE BELLSOUTH NETWORK TO PROVIDE
10 SERVICE.

11 FINALLY, IN ORDER FOR THE
12 COMMISSION TO TRANSLATE THESE TOOLS INTO CHOICES THE
13 CONSUMERS WILL ACTUALLY EXPERIENCE, BELLSOUTH IS GOING TO
14 HAVE TO CHANGE AND INTRODUCE OPERATING SYSTEMS, AS WILL
15 ALL NEW ENTRANTS, SO THAT THESE NETWORK INGREDIENTS CAN
16 BE ORDERED AND COMBINED AND SERVICES OFFERED OVER THEM
17 QUICKLY FOR CONSUMERS. THE ONLY WAY THAT SOUTH CAROLINA
18 CONSUMERS ARE GOING TO HAVE A CHOICE OF LOCAL TELEPHONE
19 COMPANIES IS IF IT IS AS EASY FOR A SOUTH CAROLINA
20 CONSUMER TO CHANGE LOCAL TELEPHONE COMPANIES IN THE
21 FUTURE AS IT IS TO CHANGE LONG DISTANCE CARRIERS TODAY
22 AND IF IT'S AS EASY FOR LONG DISTANCE CARRIERS TO BUY AND
23 USE THESE NETWORK INGREDIENTS TO OFFER LOCAL EXCHANGE
24 SERVICES.

1 NOW, IN CONCLUSION, THAT MAY SOUND
2 LIKE A SOMEWHAT ONE-SIDED PROPOSITION, BUT IT SHOULD NOT
3 BECAUSE THE ACT, AS MR. LIGHTSEY POINTED OUT, INCLUDES
4 TWO ELEMENTS. IT INCLUDES THE OPPORTUNITY FOR OTHERS TO
5 ENTER THE LOCAL MARKET; AND IF LOCAL COMPETITION IS
6 ESTABLISHED, IT ALSO PROVIDES BELLSOUTH THE OPPORTUNITY
7 TO PROVIDE LONG DISTANCE SERVICE. THE DIFFERENCE IS THAT
8 WHEN BELLSOUTH GOES TO OFFER LONG DISTANCE SERVICE, THE
9 LONG DISTANCE NETWORK ELEMENTS ARE ALREADY AVAILABLE TO
10 IT. IT CAN BUY THOSE TODAY. THE OPERATING SYSTEMS TO
11 ORDER THOSE ELEMENTS ALREADY EXIST. THEY WORK TODAY.
12 THE ABILITY FOR CONSUMERS TO CHANGE LONG DISTANCE
13 CARRIERS ALREADY EXISTS. THEY WORK TODAY. THE ONLY WAY
14 ANYONE ELSE WILL HAVE AN OPPORTUNITY TO COMPETE IS IF
15 THOSE SAME TYPES OF CAPABILITIES ARE MADE AVAILABLE TO
16 CARRIERS TO OFFER LOCAL SERVICE.

17 THANK YOU.

18 MS. TAYLOR: DR. KASERMAN.

19 DR. KASERMAN: THANK YOU.

20
21 TESTIMONY OF DR. DAVID L. KASERMAN

22 (PREFILED TESTIMONY OF DR.

23 KASERMAN IS AS FOLLOWS:)
24